

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name 38th District Court	County Macomb
Fiscal Year End June 30, 2007	Opinion Date August 7, 2007	Date Audit Report Submitted to State August 14, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

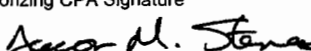
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	N/A	
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Zip 48823			
Authorizing CPA Signature 	Printed Name Aaron M. Stevens, CPA		License Number 1101024055

**38th District Court Funds
City of Eastpointe, Michigan**

FINANCIAL STATEMENTS

June 30, 2007

38th District Court Funds
City of Eastpointe, Michigan

TABLE OF CONTENTS

June 30, 2007

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Statement of Assets and Liabilities	2
Notes to Financial Statements	3-4
OTHER SUPPLEMENTARY INFORMATION	
Schedules of Cash Receipts and Disbursements	5

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

Honorable Judge Norene Redmond
Chief Judge, 38th District Court
16101 Nine Mile Road
Eastpointe, Michigan 48021

We have audited the accompanying statement of assets and liabilities of the 38th District Court Funds (a component unit of the City of Eastpointe, Michigan) as of June 30, 2007. This financial statement is the responsibility of the District Court's management. Our responsibility is to an express opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the financial statement presents only the 38th District Court Funds, and does not purport to, and does not, present fairly the financial position of the City of Eastpointe, Michigan, as of June 30, 2007, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statement referred to above presents fairly, in all material respects, the financial position of the 38th District Court Funds as of June 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statement. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

The accompanying financial statement of the 38th District Court Funds does not present a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statement.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 7, 2007

BASIC FINANCIAL STATEMENTS

38th District Court Funds

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2007

	Agency Funds	
	Depository	Bond, Restitution, and Trust
ASSETS		
Cash	\$ -0-	\$ 72,756
LIABILITIES		
Due to:		
Others		
Bonds, restitution, and trust	\$ -0-	\$ 72,756

See accompanying notes to financial statements.

38th District Court Funds
City of Eastpointe, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement of the 38th District Court Funds (the "District Court") has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The District Court is governed by one elected judge. There are no component units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District Court's more significant accounting policies are described below.

1. Reporting Entity

The accompanying financial statement presents only the Agency Funds of the 38th District Court, and does not purport to, and does not, present fairly the financial position of the City of Eastpointe, Michigan, as of June 30, 2007, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America, nor does it include other revenue sources attributable to the District Court's operations (i.e., judicial salary subsidy, juror reimbursements, drunk driving caseflow, and drug caseflow reimbursements). The receipts and disbursements of the Agency Funds of the District Court are accounted for with a separate set of self-balancing accounts that comprise its assets and liabilities.

2. Basis of Presentation

The funds of the 38th District Court are Agency Funds. The financial activities of the funds are limited to fine and fee collections that are transferred to applicable agencies (City of Eastpointe, State of Michigan, Macomb County, others as noted) when processed and bonds, trust, and restitution collections that are subsequently returned or paid to third parties by the District Court. The funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

The operations of the District Court are included as a separate activity in the General Fund of the City of Eastpointe. The District Court is a component unit of the City of Eastpointe and is included in the basic financial statements of the City as of and for the year ended June 30, 2007.

3. Cash

The District Court Funds' cash consists of checking accounts, with balances totaling \$72,756 at June 30, 2007.

NOTE B: CASH

In accordance with Michigan Compiled Laws, the District Court is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.

38th District Court Funds
City of Eastpointe, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE B: CASH - CONTINUED

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers' acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District Court's deposits may not be returned to it. As of June 30, 2007, the carrying amount of the District Court's deposits was \$72,756 and the bank balances totaled \$271,654. As of June 30, 2007, the bank accounts were insured by the FDIC for \$100,000 and the amount of \$171,654 was uninsured and uncollateralized.

OTHER SUPPLEMENTARY INFORMATION

38th District Court Funds

SCHEDULES OF CASH RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2007

Depository Account	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
ASSETS				
Cash				
Fines and costs	\$ -	\$ 2,642,688	\$ 2,642,688	\$ -0-
Interest	-	4,159	4,159	-0-
	<u>\$ -0-</u>	<u>\$ 2,646,847</u>	<u>\$ 2,646,847</u>	<u>\$ -0-</u>
LIABILITIES				
Due to:				
State of Michigan				
Department of Treasury	\$ -	\$ 579,484	\$ 579,484	\$ -0-
Secretary of State	-	31,095	31,095	-0-
Macomb County	-	8,653	8,653	-0-
City of Eastpointe				
General receipts	-	1,961,221	1,961,221	-0-
Interest	-	4,159	4,159	-0-
Others				
Amercian Credit Association	-	61,757	61,757	-0-
ABN/AMRO	-	478	478	-0-
	<u>\$ -0-</u>	<u>\$ 2,646,847</u>	<u>\$ 2,646,847</u>	<u>\$ -0-</u>
Bond, Restitution, and Trust Account				
ASSETS				
Cash	<u>\$ 34,825</u>	<u>\$ 837,553</u>	<u>\$ 799,622</u>	<u>\$ 72,756</u>
LIABILITIES				
Due to others (open bonds)	<u>\$ 34,825</u>	<u>\$ 837,553</u>	<u>\$ 799,622</u>	<u>\$ 72,756</u>